Single Entry Bookkeeping

Bookkeeping is the practice of keeping track of your money through a formal system of records. Recording how and when money is spent and made helps to keep an overall view of how your money is working for you. The two most common bookkeeping methods are **single entry** and **double entry**. Single entry systems are far easier to understand and use, but they do not offer the same level of accuracy and complexity that a double entry system can provide. This guide will focus on the single entry system, which will teach the basics of bookkeeping, and many of the terms and ideas used in this guide can be easily transitioned to the double entry system in the future. For all of the examples in this guide, we will use a microcredit lender or a chicken farmer as our focus, but keep in mind that these same practices can be used for any type of business or even to keep track of money within a family.

Before you begin bookkeeping, you must understand some of the basic terms, and how these are used in keeping track of your finances. **Revenue** and **Expense** are the two primary ways a business tracks its money. Revenue is money that has been made, and an Expense is money that has been spent. Anytime a business receives money by selling a good or service, it is counted as revenue. Anytime a business has to spend money, such as paying employees, buying business supplies, or paying for utilities, it is counted as an expense.

Journals and **Ledgers** are the actual paperwork you do your bookkeeping on. A journal is typically one set of records on one area of your business. For example, pretend you are a microcredit lender associated with Grameen Bank. Mrs. X and Mr. Y are your first borrowers, and you keep track of each loan on its own journal, as seen below for Mrs. X:

Mrs. X's Loan Journal (examples are in US Dollars)

Date	Description	Revenue	Expense
01/01/10	Initiation of Loan		$45.00 USD
15/01/10	Payment	4.50	
29/01/10	Payment	4.50	
12/02/10	Payment	4.50	
26/02/10	Payment	4.50	
12/03/10	Payment	4.50	
26/03/10	Payment	4.50	
09/04/10	Payment	4.50	
23/04/10	Payment	4.50	
07/05/10	Payment	4.50	
21/05/10	Payment	4.50	
04/06/10	Payment (Interest)	4.50	
	Totals	49.50	45.00
	Total as of 04/06/10	+4.50	

This same journal would be kept for every individual loan the lender makes (one for Mrs. X, one for Mr. Y, and later one for Mrs. Z).

Of course, the Lender needs to borrow money in order to lend to others, and this must be kept track of:

Business Loans Journal

Date	Description	Revenue	Expense
01/01/10	Borrow: Loan from Grameen Bank	$100.00 USD	
07/07/10	Payment: Loan + Interest		102.50
	Total as of 07/07/10		-5.00

Here is an example of a journal kept for Business Expenses:

Business Expenses Journal

Date	Description	Revenue	Expense
01/01/10	Advertising: Printing		2.50
01/01/10	Fuel: Trip to Bank		1.00
12/04/10	Advertising: Printing		2.50
07/07/10	Fuel: Trip to Bank		1.00
	Total as of 07/07/10		-7.00

The Ledger is the record of all the transactions of the business, and brings all the journals together to show the overall financial picture. There are two ways this can be done, either with journal type entries for every transaction listed above all in one large ledger, or by summarizing each journal into one ledger entry. The spreadsheet below shows the first method of listing every transaction:

Complete Ledger

Date	Description/Type of Transaction	Revenue	Expense
01/01/10	Fuel: Trip to Bank		1.00
01/01/10	Borrow: Loan from Grameen Bank	$100.00	
01/01/10	Advertising: Printing		2.50
01/01/10	Loan to Mrs. X		45.00
01/01/10	Loan to Mr. Y		25.00
15/01/10	Received: Mrs. X's First Payment	4.50	
15/01/10	Received: Mr. Y's First Payment	2.50	
29/01/10	Received: Mrs. X Payment	4.50	
29/01/10	Received: Mr. Y Payment	2.50	

12/02/10	Received: Mrs. X Payment	4.50	
12/02/10	Received: Mr. Y Payment	2.50	
26/02/10	Received: Mrs. X Payment	4.50	
26/02/10	Received: Mr. Y Payment	2.50	
12/03/10	Received: Mrs. X Payment	4.50	
12/03/10	Received: Mr. Y Payment	2.50	
26/03/10	Received: Mrs. X Payment	4.50	
26/03/10	Received: Mr. Y Payment	2.50	
09/04/10	Received: Mrs. X Payment	4.50	
09/04/10	Received: Mr. Y Payment	2.50	
12/04/10	Advertising: Printing		2.50
14/04/10	Loan to Mrs. Z		20.00
23/04/10	Received: Mrs. X Payment	4.50	
23/04/10	Received: Mr. Y Payment	2.50	
28/04/10	Received: Mrs. Z Payment	4.00	
07/05/10	Received: Mrs. X Payment	4.50	
07/05/10	Received: Mr. Y Payment	2.50	
12/05/10	Received: Mrs. Z Payment	4.00	
21/05/10	Received: Mrs. X Payment	4.50	
21/05/10	Received: Mr. Y Payment	2.50	
26/05/10	Received: Mrs. Z Payment	4.00	
04/06/10	Received: Mrs. X Final (interest)	4.50	
04/06/10	Received: Mr. Y Final (interest)	2.50	
09/06/10	Received: Mrs. Z Payment	4.00	
23/06/10	Received: Mrs. Z Payment	4.00	
07/07/10	Received: Mrs. Z Final (interest)	4.00	
07/07/10	Fuel: Trip to Bank		1.00
07/07/10	Payment: Bank Loan + Interest		102.50
	Totals	201.00	199.50
	Total as of 07/07/10	+1.50	

Or you can simply make periodic ledger entries which compile the totals from all the previous journals from that period which were seen before the complete Ledger:

General Ledger

Date	Description	Revenue	Expense
04/06/10	Totals from: Mrs. X Loan Journal	4.50	
04/06/10	Totals from: Mr. Y Loan Journal	2.50	
07/07/10	Totals from: Mrs. Z Loan Journal	4.00	
07/07/10	Totals from: Business Expenses Journal		7.00
07/07/10	Totals from: Loan Expenses Journal		2.50
	Totals	11.00	9.50
	Total as of 07/07/10	+1.50	

As you can see, while possible to run a business off just one complete ledger, it is far easier to keep track of all your revenues and expenses using separate journals for different areas, and then summing them up in a general ledger.

One additional example will show how these same concepts can be used for other types of businesses, such as Chicken Farming:

Date	Description	Revenue	Expense
05/08/10	Purchase 10 Chickens		50.00
05/08/10	Purchase Feed for Chickens		5.25
29/08/10	Sold Eggs at Market	7.50	
03/09/10	Purchase Feed for Chickens		5.25
08/09/10	Sold Eggs at Market	10.25	
16/09/10	Sold Eggs at Market	8.25	
	Totals	26.00	60.50
	Total as of 16/09/10		-34.50

As we can see, all the same ideas used for the microfinance lenders work for farmers as well. In this case, while the total is negative, remember that the farmer still has his chickens, which will continue provide eggs for more revenue, so over time the farmer will make far more than he has spent.

This simple method of keeping track of your business' revenues and expenses can provide an accurate way to keep an eye on all that is going on, and while not as comprehensive as the double entry system, it proves adequate for many small businesses.

Should you find that the single entry system isn't up to the task of keeping track of all of your company's functions, you will need to adopt the double entry system which classifies everything as either a **Debit** or **Credit**. While I won't explain the whole double entry system here, it is worth describing the 6 main accounting categories: **Revenue** and **Expense** (which we already know), **Asset** and **Liability**, and **Owner's Equity** and **Draw**. Assets are anything the business owns that has value, such as amounts owed to you from someone you lent money to, or the chickens which are producing eggs. Liabilities are other's claims against the assets of the business, such as a credit line or mortgage. Owner's Equity is the amount of capital (money) the owner has invested in the business, and Draw is capital the owner pulls out of the business. All of these different categories can be narrowed down to debits and credits like this:

Account type	Debit	Credit
Revenue	Decrease	Increase
Liabilities	Decrease	Increase
Owner's Equity	Decrease	Increase
Expense	Increase	Decrease
Asset	Increase	Decrease
Draw	Increase	Decrease

So if you increase your assets by buying another chicken, it would be marked as a debit, or if you sell your chicken's eggs, gaining revenue, it is marked under credit.

These terms must be used and understood when using the double entry system, but can also offer greater versatility within the single entry system. For instance, using the previous example of the chicken farmer, understanding that the chickens are an asset, and not just an expense, changes the farmer's financial picture at the end of this period, as seen here:

Date	Description	Revenue	Expense	Asset
05/08/10	Purchase 10 Chickens			50.00
05/08/10	Purchase Feed for Chickens		5.25	
29/08/10	Sold Eggs at Market	7.50		
03/09/10	Purchase Feed for Chickens		5.25	
08/09/10	Sold Eggs at Market	10.25		
16/09/10	Sold Eggs at Market	8.25		
	Totals	+26.00	-10.50	50.00
	Total as of 16/09/10	+15.50		50.00

This method of using more than two types of accounting categories can get confusing, and while it can be done in this single entry system of bookkeeping, typically any business which requires this level of complexity should use the double entry system.

Bibliography and suggested resources:

So, you want to learn Bookkeeping! By Dave Marshall, 2003. http://www.dwmbeancounter.com/tutorial/Tutorial.html This is an excellent and comprehensive guide to better understand bookkeeping terms and the double entry system.

Guide to Basic Bookkeeping Village Volunteers, 2007 http://www.villagevolunteers.org/PDFs/Travel%20Documents/Projects%20Library/Guide _to_Basic_Bookkeeping.pdf Another guide hosted on the Village Volunteers "Sustainable Village Library", which explains the double entry system very succinctly, and is a great resource to continue your accounting education.

Grameen Bank Website, http://www.grameen.com/ An excellent source for information on microcredit, straight from the originators of the practice.

Village Volunteers
206.577.0515 • info@villagevolunteers.org
www.villagevolunteers.org
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